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Mr Alan Gay
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Our ref HG/mmc/016/let2095

Contact Heather Garrett
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5 December 2012

Dear Alan

Annual audit fee 2012/13

I am writing to confirm the audit work and fee that we propose for the 2012/13 financial year at Leeds City Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

The proposed indicative fee for the audit for 2012/13 is £307,800 (plus VAT). This compares to the final fee of £513,000 for 2011/12.

The proposed audit fee represents a 40% reduction compared to the previous audit year and is in line with the scale fee recommended by the Audit Commission.

The indicative fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work, especially in light of the significant reductions in scale fees for this year. My assumptions are set out in more detail in Appendix 1 to this letter.

From 2012/13, the Audit Commission is replacing the previous schedule of hourly fee rates with a composite indicative fee for certification work for each body. The Commission has calculated an indicative fee is based on actual certification fees for 2010/11, adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating the general reduction to its fee scales. Based on these changes, I estimate that the fee for the certification of 2012/13 grants and returns will be £35,950 (plus VAT). This based on the Council requiring the following schemes to be certified:

- Housing and Council Tax Benefits;

- Teachers' Pensions; and
- NNDR.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified in 2011/12. A separate plan for the audit of the 2011/12 financial statements will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of Leeds City Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

The key members of our audit team for the 2012/13 audit are:

Name	Role	Contact details
Mike McDonagh	Partner	michael.a.mcdonagh@kpmg.co.uk 0207 694 5546
Heather Garrett	Senior Manager	heather.garrett@kpmg.co.uk 0161 246 4294
Deborah Rumsey	Assistant Manager	deborah.rumsey@kpmg.co.uk 0113 231 3069

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.



KPMG LLP
Annual audit fee 2012/13
5 December 2012

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mike McDonagh'.

Mike McDonagh
Partner

cc: Tom Riordan, Chief Executive

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2012/13 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and materially accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes;
- the grant claims and returns requiring certification are as listed above; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the financial statements audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
Financial Statements audit plan	January 2013
Interim audit report (if appropriate)	April 2013
Report to those charged with governance (ISA260 report)	September 2013
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2013
Opinion on Whole of Government Accounts return	September 2013
Annual audit letter	November 2013
Certification of grant claims and returns	March 2014